

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6199

BILL NUMBER: SB 62

DATE PREPARED: Mar 7, 2000

BILL AMENDED: Mar 3, 2000

SUBJECT: Public safety survivor and disability benefits.

FISCAL ANALYST: James Sperlik; Al Gossard

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (CCR Amended) (1) This bill separates the provisions concerning survivors' benefits for police officers and firefighters into separate sections based on whether the death was in the line of duty or not in the line of duty.

(2) It makes the definition of "dies in the line of duty" used in the survivors' benefits statutes uniform for all police officers and uniform for all firefighters.

(3) The bill separates the provisions concerning disability benefits for police officers and firefighters into separate provisions based on whether the disability was in the line of duty or not in the line of duty.

(4) It also specifies that if a local pension board determines that a police officer or firefighter has a disability, the local board shall also make a recommendation to the 1977 Fund Advisory Committee Concerning whether the disability occurred in the line of duty.

(5) The bill requires the 1977 Fund Advisory Committee to review the recommendations and make a finding concerning whether the disability occurred in the line of duty.

(6) The bill also provides that in the Legislators' Retirement System, if a member does not make an investment selection of the alternative investment programs, the member's account shall be invested in the PERF Board's General Investment Fund.

(7) It provides that if the designated beneficiary of a deceased PERF or TRF member's annuity savings account is not entitled to a survivor's benefit, the designated beneficiary may elect to receive over a period of up to five years the total amount credited to the deceased member in the member's annuity savings account. (Current law requires that the amount be paid in a lump sum.)

(The introduced version of this bill was prepared by the Pension Management Oversight Commission.)

Effective Date: (Amended) July 1, 1999 (Retroactive); July 1, 2000.

Explanation of State Expenditures: (Revised) Parts 1-5 will have no fiscal impact on expenditures for the funds involved. The proposed changes will comply with an Internal Revenue Service (IRS) private letter ruling which said that death or disability of a public safety officer must be separated into line of duty death or not in the line of duty death and line of duty disability or non-line of duty disability. If the separation is not made, according to the IRS interpretation, the death and survivor benefits would be taxable for the members and their survivors. For the 1977 Advisory Committee, before November 1, 2000, there may be some additional administrative work required in the determination of which surviving spouses, children, or parents are receiving benefits from the funds involved, or are survivors of police officers and firefighters who died in the line of duty before September 1, 1982. Currently, the Public Employees Retirement Fund (PERF) has assigned one staff person to work with the 1977 Fund Advisory Committee.

Part (6) will have no fiscal impact on PERF as administrators of the Legislative Retirement System.

Part (7) will increase administrative costs associated with the distribution of PERF or TRF member's Annuity Savings Account under certain circumstances, since the proposal calls for distribution over a five year period as opposed to a lump-sum distribution. Currently, this proposal affects one individual. This section is retroactive to July 1, 1999. For both PERF and TRF, their computer systems will need to be upgraded to handle the new type distributions. The cost is estimated at \$75,000 each for both PERF and TRF.

Explanation of State Revenues: To the extent that the benefits would be non-taxable, the State would lose Individual Income Tax revenue attributable to the taxation of the benefits. The specific impact in indeterminable. The fund affected is the State General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Public Employees Retirement Fund; Teachers Retirement Fund.

Local Agencies Affected:

Information Sources: William Butler, Director of the Public Employees Retirement Fund, 233-4133, Mary Beth Braitman, Ice Miller Donadio & Ryan, 236-2413, Tom Miller, Professional Fire-fighters, 357-5080, Leo Blackwell of the Indiana Fraternal Order of Police, 264-7982; Doug Todd of McCready & Keene, Inc., actuaries for PERF and the Police and Fire Funds, 576-1508; Sandy Rodwan and Ken Alberts of Gabriel Roeder Smith & Co., actuaries for TRF, 1-800-521-0498.